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C O N F I D E N T I A L SECTION 01 OF 02 LAGOS 000444

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SIPDIS

DEPT PASS USAID/AFR/SD FOR CURTIS, ATWOOD AND SCHLAGENHAUF
DEPT PASS TO USTDA-PAUL MARIN, EXIM-JRICHTER
DEPT PASS TO OPIC FOR BARBARA GIBIAN AND STEVEN SMITH
DEPT PASS USTR FOR AGAMA
JOHANNESBURG FOR NAGY
USDOE FOR GEORGE PERSON
TREASURY FOR TONY IERONIMO, ADAM BARCAN, SOLOMAN, RITTERHOFF

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TAGS: [EPET](#) [ENRG](#) [EINV](#) [ECON](#) [ETRD](#) [PGOV](#) [NI](#)
SUBJECT: (C) EXXONMOBIL MD MORE HOPEFUL ON PETROLEUM BILL

REF: A. LAGOS 408
[1](#)B. ABUJA 1907
[1](#)C. ABUJA 1836

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Classified By: A/CG Richard Walsh for reasons 1.4 (b & d).

SUMMARY

[1](#)1. (C) ExxonMobil Nigeria Managing Director (MD) met with the Ambassador on November 9 to discuss the status of the proposed Petroleum Industry Bill (PIB) and touch on other sectoral developments. The MD is "cautiously optimistic" for a better bill, given that Nigeria's President and Vice President are more engaged now and influencing key elements of the GON's petroleum interagency team to cooperate with international oil firms. He suggested the PIB could pass this year, although a more principled President Yar'Adua could veto the measure if it is "not right." ExxonMobil's MD said his company's "business is good" at present. His firm has not faced key security-related concerns in the wake of the GON's amnesty program, but he wonders what will come next. He highlighted what companies like ExxonMobil are doing to assist Nigeria's development, but stressed that foreign firms cannot be the sole solution to the country's fiscal and social problems. Finally, he pointed to a looming National Content Bill and pending legislation on gas flaring as areas for concern. END SUMMARY.

CAUTIOUS OPTIMISM ON THE PIB

[1](#)2. (C) ExxonMobil Nigeria MD Mark Ward met with the Ambassador at ExxonMobil's Lagos offices on November 9. The Ambassador was accompanied by ConGen Lagos Pol/Econ Chief (notetaker). The Ambassador asked Ward for his views on the state of play in the oil and gas sector and status of the prospective PIB. Ward replied that although things are "not perfect," the sectoral situation is better than it has been in some time. Ward said he is now "cautiously optimistic" on the PIB. He credits the more positive environment and prospects for the bill to President Yar'Adua and Vice

President Jonathan's activist "intervention" with members of the GON's interagency team, which includes oil consultant Pedro Van Meers.

13. (C) Ward suggested that this newfound interest of the President and Vice President enabled the international oil companies (IOCs), Nigerian operators, and related exploration and production firms within the industry's Oil Producers Trade Section (OPTS) technical committee to hold a productive, late October consultation with the GON interagency group. Ward said that the two sides openly compared business models and how a new PIB might impact IOC operations in Nigeria. The session was useful and collaborative, as was a follow-on meeting of IOC representatives with Vice President Jonathan. Ward allowed that although this development was encouraging, he is exercising caveats while remaining optimistic, waiting to see if the positive momentum will proceed. He said that ExxonMobil and other IOCs are now talking to and lobbying important National Assembly officials, who still "hold the pen" when it comes to what form the PIB takes into law.

14. (C) The Ambassador asked what the USG should be doing to help ExxonMobil and others. Ward thanked the Ambassador and said we should continue to stay as we already are engaged "at the highest levels." The Ambassador recounted her October 27 meeting with President Yar'Adua on several key issues, including the PIB. She said the President had given instructions that the GON must "back a bill the IOCs can live with," while also helping realize GON objectives. Ward stressed this spirit of cooperation was evident in the changed tone of a more helpful GON interagency approach, but wondered if "Version 4 of the PIB" would assimilate positive inputs from the OPTS and its GON counterparts. When the

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Ambassador asked about a timeline for PIB passage, Ward said it could happen this year, although there is pressure "to get it right." He commended Yar'Adua who has indicated he would veto the bill if it was not the proper legal product.

BUSINESS GOOD, LOCAL CONTENT LAW LOOMS, GAS STILL FLARES

15. (C) The Ambassador asked about the current state of ExxonMobil's commercial operations in Nigeria, and Ward replied that "business is good." He said the company has experienced no major security-related issues or incidents, that the recent amnesty has helped, but he agreed with the Ambassador that long-term post-amnesty prospects are fragile and allow for "fraying at the edges." Ward admitted that, although his firm is not as exposed as either Shell or Chevron, he remains concerned about the looming potential and reality for criminality in the Niger Delta to morph into a phenomenon of "militancy for hire" if the reintegration process continues to linger. There are too many idle people in the camps and along the creeks without resources, Ward observed, and this could spark renewed violence. He feels the GON must carry through swiftly with new development plans and financing for the Delta, but Ward did not like the request from Petroleum Minister Lukman who asked a few weeks ago, "What can industry give us to assist on rehabilitation of militants?" Not impressed, Ward reiterated the fiscal, social, and training contributions the IOCs have already made in Nigeria, saying that he had told the Minister, "We are happy to help, but (we, the IOCs) cannot be your solution (to your problem)."

16. (C) In closing, Ward noted that while all interagency attention focused on the prospective PIB, the long-languishing Local Content Bill seems to have come back to life in the National Assembly, clearing both chambers quickly in recent weeks. He also mentioned that legislation on gas flaring remained under consideration, and not well conceived, especially the lack of clarity on transition times

and penalties for those failing to meet yet-to-be determined thresholds. Per Ward, ExxonMobil is now down to a modest, indeed minimal, gas flare of 10 percent, while he offered that the industry average in Nigeria is in the 30-40 percent range.

17. (U) ConGen Lagos coordinated this telegram with Embassy Abuja.
BLAIR